

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Levon Gugasian and Zarouhi Gugasian as Trustees of the Gugasian Trust (a revocable family trust) dated May 8, 1996, collectively as Grantors, to transfer, by gift, their Two Thousand Eighty Three (2083) shares of the issued and outstanding shares of stock and, thereby, to transfer control of Catalina Passenger Service, Inc., a California corporation, an authorized vessel common carrier, providing service between Newport Beach, California, on the one hand and, on the other hand, Santa Catalina Island, California, pursuant to VCC47, to Armen Gugasian, Trustee of the Armen Gugasian Separate Property Trust, as Grantee, in accordance with Public Utilities Code Section 854.

Application 12-09-011
(Filed September 18, 2012)

O P I N I O N**Summary**

This decision grants the application to transfer control of Catalina Passenger Service, Inc. (CPSI), a vessel common carrier (VCC), to Armen Gugasian, Trustee of the Armen Gugasian Separate Property Trust, pursuant to Pub. Util. Code § 854.

Discussion

CPSI holds a certificate (VCC-47) granted by Decision (D.) 86252 that authorizes the transportation of passengers and their baggage by vessel between Newport Beach and Santa Catalina Island. It provides service utilizing the

Catalina Flyer, a high-speed catamaran designed to hold 600 passengers (350 of which are inside).

Levon Gugasian and Zarouhi Gugasian, Trustees of the Gugasian Trust (Grantors), own 2,083 shares of the issued and outstanding shares of common stock of CPSI, or 51%. Armen Gugasian, Trustee of the Armen Gugasian Separate Property Trust (Grantee), owns the remaining 2,002 shares, or 49%. Grantor and Grantee (collectively Applicants) acquired their shares and assumed control of CPSI under authority of D.06-03-006, dated March 2, 2006.

The application requests approval to transfer Grantors' 51% interest to Grantee (Grantors' son), giving him ownership of 100% of the shares of CPSI. The trust of which Grantee is trustee is a revocable trust for the benefit of Grantee and his family which is funded with the separate property acquired through family gifts and transfers. No consideration will be given in the proposed transaction.

Applicants indicate that Grantee has the financial resources, knowledge, and experience necessary to assume full responsibility of the vessel operation. Upon completion of this transaction, Grantee's assets will exceed an estimated \$11 million. At the same time this transaction is occurring, Grantee is also acquiring all of the limited liability company interests owned by Grantors in Balboa Manor, LLC, the company which owns the land (The Balboa Pavilion) where the *Catalina Flyer* operates as well as the vessel itself.

In terms of experience, after obtaining a Bachelor's degree at California State University, Fullerton, Grantee was involved for many years in the automotive business, culminating with the operation of Newport Autosport, an exotic car dealership, beginning in 1998. He participated in the business with his father prior to their purchase of Balboa Manor, LLC in late 2005 and the subsequent acquisition of CPSI in 2006. Since becoming 49% owner of CPSI,

Grantee has acted in the dual capacity of Secretary and Chief Operating Officer. His responsibilities have included the day-to-day operations of CPSI, and he has been involved in all business decisions of the company. In 2011 Grantee oversaw a major refurbishment of the *Catalina Flyer* at a cost of approximately \$2.5 million. Applicants further note that during Grantee's tenure as Chief Operating Officer, there has been a dramatic improvement in the financial condition of CPSI, notwithstanding the recessionary influences witnessed from 2007 through 2009.

Grantee expects that nearly all of CPSI's employees will remain with the company, including crewmembers and captains. The four captains have between 15 and 34 years of service with CPSI. Grantee will retain the key managers of CPSI to continue to manage the passenger vessel operations consistent with the company's normal customs and practice.

Applicants submit that the transaction is in the public interest. The public will continue to receive the benefit of CPSI's service without interruption. Applicants also state that no adverse effect upon any other carrier is anticipated by this transfer of control.

Notice of filing of the application appeared in the Commission's Daily Calendar on September 24, 2012.

In Resolution ALJ 176-3301 dated September 27, 2012, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were not necessary. No protest has been received. Given this status, public hearing is not necessary, and it is not necessary to alter the preliminary determinations made in Resolution ALJ 176-3301.

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

Assignment of Proceeding

Emory J. Hagan, III is the assigned Examiner in this proceeding.

Findings of Fact

1. CPSI is authorized to operate as a VCC pursuant to D.86252 to transport passengers and their baggage between Newport Beach and Santa Catalina Island.
2. Grantors own 51% of the issued and outstanding shares of stock of CPSI and Grantee owns 49%.
3. Grantee requests authority to acquire control of CPSI through the purchase of Grantors' 51% interest.
4. Grantee has the knowledge, experience, and financial ability to operate CPSI.
5. The proposed transfer of control will not be adverse to the public interest.
6. No protest to the application has been filed.
7. A public hearing is not necessary.
8. It can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

Conclusions of Law

1. The proposed transfer of control of CPSI from Grantors to Grantee should be authorized.
2. Since the matter is uncontested, the decision should be effective on the date it is signed.

O R D E R

IT IS ORDERED that:

1. Pursuant to Pub. Util. Code § 854, Armen Gugasian, Trustee of the Armen Gugasian Separate Property Trust (Grantee), a revocable family trust, is

authorized to acquire control of Catalina Passenger Service, Inc. through the purchase of the issued and outstanding corporate stock held by Levon Gugasian and Zarouhi Gugasian, Trustees of the Gugasian Trust, a revocable family trust.

2. Within fifteen (15) days of the date the transaction closes, Grantee shall notify the Commission's Consumer Protection and Safety Division in writing thereof.

3. The authority granted by this order shall lapse unless it is exercised within 90 days of the effective date of this order.

4. This proceeding is closed.

This order is effective today.

Dated _____, at San Francisco, California.